

ESHB 1064 - S COMM AMD

By Committee on Government Operations & Elections

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** The legislature finds that:

4 (1) Citizens demand and deserve accountability of public programs.
5 Public programs must continuously improve in quality, efficiency, and
6 effectiveness in order to increase public trust;

7 (2) Washington state government and other entities that receive tax
8 dollars must continuously improve the way they operate and deliver
9 services so citizens receive maximum value for their tax dollars;

10 (3) An independent citizen advisory board is necessary to ensure
11 that government services, customer satisfaction, program efficiency,
12 and management systems are world class in performance; and

13 (4) Fair, independent, professional performance audits of state
14 agencies by the state auditor are essential to improving the efficiency
15 and effectiveness of government.

16 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.09 RCW
17 to read as follows:

18 For purposes of sections 3 through 6, 8, 9, and 11 of this act:

19 (1) "Board" means the citizen advisory board created in section 3
20 of this act.

21 (2) "Draft work plan" means the work plan for conducting
22 performance audits of state agencies proposed by the board and state
23 auditor after the statewide performance review.

24 (3) "Final performance audit report" means a written document
25 jointly released by the citizen advisory board and the state auditor
26 that includes the findings and comments from the preliminary
27 performance audit report.

28 (4) "Final work plan" means the work plan for conducting

1 performance audits of state agencies adopted by the board and state
2 auditor.

3 (5) "Performance audit" means an objective and systematic
4 assessment of a state agency or any of its programs, functions, or
5 activities by an independent evaluator in order to help public
6 officials improve efficiency, effectiveness, and accountability.
7 Performance audits include economy and efficiency audits and program
8 audits.

9 (6) "Preliminary performance audit report" means a written document
10 prepared after the completion of a performance audit to be submitted
11 for comment before the final performance audit report. The preliminary
12 performance audit report must contain the audit findings and any
13 proposed recommendations to improve the efficiency, effectiveness, or
14 accountability of the state agency being audited.

15 (7) "State agency" or "agency" means a state agency, department,
16 office, officer, board, commission, bureau, division, institution, or
17 institution of higher education. "State agency" includes all offices
18 of executive branch state government elected officials.

19 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.09 RCW
20 to read as follows:

21 (1) The citizen advisory board is created to improve efficiency,
22 effectiveness, and accountability in state government.

23 (2) The board shall consist of ten members as follows:

24 (a) One member shall be the state auditor, who shall be a nonvoting
25 member;

26 (b) One member shall be the legislative auditor, who shall be a
27 nonvoting member;

28 (c) One member shall be the director of the office of financial
29 management, who shall be a nonvoting member;

30 (d) Four of the members shall be selected by the governor as
31 follows: Each major caucus of the house of representatives and the
32 senate shall submit a list of three names. The lists may not include
33 the names of members of the legislature or employees of the state. The
34 governor shall select a person from each list provided by each caucus;
35 and

36 (e) The governor shall select three citizen members who are not
37 state employees.

1 (3) The board shall elect a chair. The legislative auditor, the
2 state auditor, and the director of the office of financial management
3 may not serve as chair.

4 (4) Appointees shall be individuals who have a basic understanding
5 of state government operations with knowledge and expertise in
6 performance management, quality management, strategic planning,
7 performance assessments, or closely related fields.

8 (5) Members selected under subsection (2)(d) and (e) of this
9 section shall serve for terms of four years, with the terms expiring on
10 June 30th on the fourth year of the term. However, in the case of the
11 initial members, two members shall serve four-year terms, two members
12 shall serve three-year terms, and one member shall serve a two-year
13 term, with each of the terms expiring on June 30th of the applicable
14 year. Appointees may be reappointed to serve more than one term.

15 (6) The joint legislative audit and review committee shall provide
16 clerical, technical, and management personnel to the board to serve as
17 the board's staff.

18 (7) The board shall meet at least once a quarter and may hold
19 additional meetings at the call of the chair or by a majority vote of
20 the members of the board.

21 (8) The members of the board shall be compensated in accordance
22 with RCW 43.03.220 and reimbursed for travel expenses in accordance
23 with RCW 43.03.050 and 43.03.060.

24 NEW SECTION. **Sec. 4.** A new section is added to chapter 43.09 RCW
25 to read as follows:

26 The board shall establish an annual assessment and performance
27 grading program. The program shall consist of conducting annual
28 performance assessments and grading state agency performance.
29 Assessments shall be implemented on a phased-in schedule. Initial
30 areas to be assessed shall include quality management, productivity and
31 fiscal efficiency, program effectiveness, contract management and
32 oversight, internal audit, internal and external customer satisfaction,
33 statutory and regulatory compliance, and technology systems and on-line
34 services. As part of this program, the board shall:

35 (1) Consult with and seek input from elected officials, state
36 employees including front-line employees, and professionals with a
37 background in performance management for establishing the grading

1 standards. In developing the criteria, the board shall consider
2 already developed best practices and audit criteria used by government
3 or nongovernment organizations. Before the assessment, the agencies
4 shall be given the criteria for the assessment and the standards for
5 grading;

6 (2) Contract or partner with public or private entities that have
7 expertise in public sector reviews and/or technical expertise in
8 individual assessment areas to perform the assessments and grading of
9 all state agencies. The board may contract or partner with more than
10 one entity for different assessment areas; and

11 (3) Submit the results of the assessment and grading program to the
12 governor, the office of financial management, appropriate legislative
13 committees, and the public by December 15th of each year. The results
14 of the annual assessments and performance grading shall be posted on
15 the internet.

16 NEW SECTION. **Sec. 5.** A new section is added to chapter 43.09 RCW
17 to read as follows:

18 (1) The board and the state auditor shall work together regarding
19 performance audits of state government.

20 (a) The board shall establish criteria for performance audits.
21 Agencies shall be audited using criteria that include generally
22 accepted government auditing standards as well as legislative mandates
23 and performance objectives established by state agencies and the
24 legislature. Mandates include, but are not limited to, agency
25 strategies, timelines, program objectives, and mission and goals as
26 required in RCW 43.88.090.

27 (b) Using the criteria developed in (a) of this subsection, the
28 state auditor shall contract for a statewide performance review to be
29 completed within one year of contracting as a preliminary to a draft
30 work plan for conducting performance audits. The board and the state
31 auditor shall develop a schedule and common methodology for conducting
32 these reviews.

33 (c) The board and the state auditor shall develop the draft work
34 plan for performance audits based on input from citizens, state
35 employees, including front-line employees, state managers, chairs and
36 ranking members of appropriate legislative committees, the joint
37 legislative audit and review committee, public officials, and others.

1 The draft work plan may include a list of agencies, programs, or
2 systems to be audited on a timeline decided by the board and the state
3 auditor based on a number of factors including risk, importance, and
4 citizen concerns. When putting together the draft work plan, there
5 should be consideration of all audits and reports already required. On
6 average, audits shall be designed to be completed within a six-month
7 period.

8 (d) Before adopting the final work plan, the board shall consult
9 with the legislative auditor and other appropriate oversight and audit
10 entities to coordinate work plans and avoid duplication of effort in
11 their planned performance audits of state government agencies. The
12 board shall defer to the joint legislative audit and review committee
13 work plan if a similar audit is included on both work plans for
14 auditing.

15 (e) The state auditor shall contract out for performance audits.
16 In conducting the audits, agency front-line employees and internal
17 auditors should be involved.

18 (f) All audits must include consideration of reports prepared by
19 other government oversight entities.

20 (g) The audits may include:

21 (i) Identification of programs and services that can be eliminated,
22 reduced, consolidated, or enhanced;

23 (ii) Identification of funding sources to the state agency, to
24 programs, and to services that can be eliminated, reduced,
25 consolidated, or enhanced;

26 (iii) Analysis of gaps and overlaps in programs and services and
27 recommendations for improving, dropping, blending, or separating
28 functions to correct gaps or overlaps;

29 (iv) Analysis and recommendations for pooling information
30 technology systems used within the state agency, and evaluation of
31 information processing and telecommunications policy, organization, and
32 management;

33 (v) Analysis of the roles and functions of the state agency, its
34 programs, and its services and their compliance with statutory
35 authority and recommendations for eliminating or changing those roles
36 and functions and ensuring compliance with statutory authority;

37 (vi) Recommendations for eliminating or changing statutes, rules,

1 and policy directives as may be necessary to ensure that the agency
2 carry out reasonably and properly those functions vested in the agency
3 by statute;

4 (vii) Verification of the reliability and validity of agency
5 performance data, self-assessments, and performance measurement systems
6 as required under RCW 43.88.090;

7 (viii) Identification of potential cost savings in the state
8 agency, its programs, and its services;

9 (ix) Identification and recognition of best practices;

10 (x) Evaluation of planning, budgeting, and program evaluation
11 policies and practices;

12 (xi) Evaluation of personnel systems operation and management;

13 (xii) Evaluation of state purchasing operations and management
14 policies and practices; and

15 (xiii) Evaluation of organizational structure and staffing levels,
16 particularly in terms of the ratio of managers and supervisors to
17 nonmanagement personnel.

18 (h) The state auditor must solicit comments on preliminary
19 performance audit reports from the audited state agency, the office of
20 the governor, the office of financial management, the board, the chairs
21 and ranking members of appropriate legislative committees, and the
22 joint legislative audit and review committee for comment. Comments
23 must be received within thirty days after receipt of the preliminary
24 performance audit report unless a different time period is approved by
25 the state auditor. All comments shall be incorporated into the final
26 performance audit report. The final performance audit report shall
27 include the objectives, scope, and methodology; the audit results,
28 including findings and recommendations; conclusions; and identification
29 of best practices.

30 (i) The board and the state auditor shall jointly release final
31 performance audit reports to the governor, the citizens of Washington,
32 and the appropriate legislative committees. Final performance audit
33 reports shall be posted on the internet.

34 (j) For institutions of higher education, performance audits shall
35 not duplicate, and where applicable, shall make maximum use of existing
36 audit records, accreditation reviews, and performance measures required
37 by the office of financial management, the higher education

1 coordinating board, and nationally or regionally recognized
2 accreditation organizations including accreditation of hospitals
3 licensed under chapter 70.41 RCW and ambulatory care facilities.

4 (2) The citizen board created under RCW 44.75.030 shall be
5 responsible for performance audits for transportation related agencies
6 as defined under RCW 44.75.020.

7 NEW SECTION. **Sec. 6.** A new section is added to chapter 43.09 RCW
8 to read as follows:

9 If the legislative authority of a local jurisdiction requests a
10 performance audit of programs under its jurisdiction, the state auditor
11 has the discretion to conduct such a review under separate contract and
12 funded by local funds.

13 NEW SECTION. **Sec. 7.** A new section is added to chapter 43.88 RCW
14 to read as follows:

15 In addition to the authority given the state auditor in RCW
16 43.88.160(6), the state auditor is authorized to contract for and
17 oversee performance audits pursuant to section 5 of this act.

18 NEW SECTION. **Sec. 8.** A new section is added to chapter 43.09 RCW
19 to read as follows:

20 By June 30, 2007, and each four years thereafter, the joint
21 legislative audit and review committee shall contract with a private
22 entity for a performance audit of the performance audit program
23 established in section 5 of this act and the board's responsibilities
24 under the performance audit program.

25 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.09 RCW
26 to read as follows:

27 The audited agency is responsible for follow-up and corrective
28 action on all performance audit findings and recommendations. The
29 audited agency's plan for addressing each audit finding and
30 recommendation shall be included in the final audit report. The plan
31 shall provide the name of the contact person responsible for each
32 action, the action planned, and the anticipated completion date. If
33 the audited agency does not agree with the audit findings and

1 recommendations or believes action is not required, then the action
2 plan shall include an explanation and specific reasons.

3 For agencies under the authority of the governor, the governor may
4 require periodic progress reports from the audited agency until all
5 resolution has occurred.

6 For agencies under the authority of an elected official other than
7 the governor, the auditor and the board may require periodic reports of
8 the action taken by the audited agency until all resolution has
9 occurred.

10 The board may request status reports on specific audits or
11 findings.

12 NEW SECTION. **Sec. 10.** A new section is added to chapter 2.56 RCW
13 to read as follows:

14 The office of the administrator for the courts is encouraged to
15 conduct performance audits of courts under the authority of the supreme
16 court, in conformity with criteria and methods developed by the board
17 for judicial administration that have been approved by the supreme
18 court. In developing criteria and methods for conducting performance
19 audits, the board for judicial administration is encouraged to consider
20 quality improvement programs, audits, and scoring. The judicial branch
21 is encouraged to submit the results of these efforts to the chief
22 justice of the supreme court or his or her designee, and with any other
23 applicable boards or committees established under the authority of the
24 supreme court to oversee government accountability."

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25 On page 1, line 2 of the title, after "accountability;" strike the
26 remainder of the title and insert "adding new sections to chapter 43.09
27 RCW; adding a new section to chapter 43.88 RCW; adding a new section to
28 chapter 2.56 RCW; and creating new sections."

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